

## Grindrod Limited

(Incorporated in the Republic of South Africa)  
(Registration number 1966/009846/06)  
Ordinary share code: GND ISIN ZAE000072328  
Preference share code: GNDP ISIN ZAE000071106  
("Grindrod" or the "Company")

## Remgro Limited

(Incorporated in the Republic of South Africa)  
(Registration number 1968/006415/06)  
Share code: REM  
ISIN ZAE000026480  
("Remgro")

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*The distribution of this announcement and/or the offer to subscribe for subscription shares in jurisdictions, other than South Africa, may be restricted or prohibited by the laws of such jurisdictions and must be deemed to be provided for information purposes only in those jurisdictions. The subscription shares have not been and will not be registered for the purposes of the Remgro offer under the securities laws of any country outside South Africa and accordingly, are not being offered, sold, taken up, re-sold or delivered directly or indirectly to qualifying Grindrod shareholders in any jurisdiction where such offer would constitute a violation of the laws of the relevant jurisdiction.*

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# JOINT ANNOUNCEMENT REGARDING A R2 BILLION CAPITAL RAISING, THE INTRODUCTION OF REMGRO AS A SHAREHOLDER IN GRINDROD, A NON-RENOUNCEABLE OFFER BY REMGRO TO QUALIFYING GRINDROD SHAREHOLDERS TO PARTICIPATE IN THE CAPITAL RAISING AND WITHDRAWAL OF CAUTIONARY ANNOUNCEMENT

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### Key features:

- R2 billion capital raising to reinforce Grindrod's balance sheet and support the Company's future growth plans
- Introduction of Remgro as a shareholder in Grindrod through a proposed specific issue of 133 333 334 new Grindrod ordinary shares for cash, approximately 22% of the post-issue ordinary share capital of Grindrod
- Subscription price of R15.00 per new Grindrod ordinary share, a premium of 8.8% to the 30 trading day volume weighted average price of Grindrod ordinary shares up to and including 19 August 2011, the last trading day prior to the release of the cautionary announcement
- Non-renounceable offer by Remgro to qualifying Grindrod shareholders to subscribe for the 133 333 334 new Grindrod ordinary shares in its stead, pro rata to their existing Grindrod ordinary shareholding, at the subscription price of R15.00 per new Grindrod ordinary share
- Transaction recommended by the board of directors of Grindrod

## 1. Introduction

Further to the cautionary announcement published by Grindrod on SENS on Monday, 22 August 2011, the boards of directors of Grindrod ("**the board**") and Remgro are pleased to announce that Grindrod and Remgro have entered into a subscription agreement ("**subscription agreement**") in terms of which Remgro will, subject to the fulfilment or waiver of the conditions precedent set out in paragraph 4 below, subscribe for 133 333 334 new ordinary shares ("**subscription shares**") in the share capital of Grindrod ("**ordinary shares**") at a subscription price of R15.00 per subscription share ("**subscription price**") ("**transaction**"). The subscription price equates to a premium of 8.8% to the 30 trading day volume weighted average price of ordinary shares up to and including Friday, 19 August 2011, the last trading day prior to the release of the cautionary announcement. The subscription shares equate to approximately 22% of the post-issue ordinary share capital of the Company.

In terms of the subscription agreement, Remgro will make a non-renounceable offer ("**Remgro offer**") to all holders of ordinary shares ("**Grindrod shareholders**") registered as such on the record date ("**Remgro offer record date**") to participate in the Remgro offer ("**qualifying Grindrod shareholders**"). In terms of the Remgro offer, qualifying Grindrod shareholders will, subject to the fulfilment or waiver of the conditions precedent set out in paragraph 4, be given the non-renounceable right to subscribe for the subscription shares in Remgro's stead. Further details of the Remgro offer are set out in paragraph 3.

Remgro will fund the transaction from its available cash resources.

## **2. Rationale for the transaction**

### **2.1. Grindrod's strategic positioning**

Grindrod's business principally involves the movement of cargo by road, rail, sea and air through integrated logistics services utilising specialised assets and infrastructure. Grindrod's service offerings are provided by four operating divisions, namely: Shipping, Freight Services, Trading and Financial Services. With a 100 year heritage, Grindrod is a global business represented in 24 countries.

Grindrod's communicated strategy is to further diversify its portfolio of businesses, with the focus being the development of the group's strategically positioned port and terminal assets. The group's ability to offer end-to-end supply chain services continues to be a key competitive advantage.

Grindrod's timely investment in capacity expansion has resulted in a track record of value creation. Grindrod's investment focus continues to be in strategic growth areas where demand is expected to exceed supply. In line with the group's communicated strategy, Grindrod is seeking to accelerate the group's pipeline of strategic capital projects in Southern Africa, in particular the next planned phase (phase 4) of the Maputo Coal Terminal. This capital expenditure programme will require in excess of R10 billion over the next five years. Whilst Grindrod plans to make a substantial investment in the group's port, terminal and rail capacity, it will also continue to strategically invest in its other businesses. Grindrod targets a minimum 15% return on ordinary shareholders' funds for all new investments.

Grindrod's strong balance sheet has historically afforded the group ample flexibility to make identified capacity investments and respond to opportunities as and when required. The execution of the group's capital expenditure programme will however require substantial debt funding over the five years. The transaction will support Grindrod's funding plans through to 2016 and allow the group to commence authorising new capital projects and commitments from the fourth quarter of the 2011 financial year. In the short-term, the proceeds from the transaction will be used to reduce existing gearing resulting in interest savings for the group. Importantly, Grindrod will retain adequate financial flexibility and agility to respond to new opportunities as and when they arise.

### **2.2. Remgro as a strategic partner**

Remgro is a South African investment holding company, listed on the JSE, with a market capitalisation of approximately R60 billion. Its interests consist of investments in financial services, health care, mining, petroleum products, food, wine and spirits, media, technology and various other trade-mark products.

Remgro's activities are concentrated mainly on the management of investments and the provision of strategic support rather than on being involved in the day-to-day management of the business units of investee companies. Operating subsidiaries comprise listed and unlisted companies with independent boards of directors on which Remgro has non-executive representation. Other investments comprise both listed and unlisted companies not controlled by Remgro and which are mostly associated companies due to significant influence and board representation.

Remgro invests in businesses that can deliver superior earnings and dividend growth over the long-term. This involves the acquisition of meaningful interests in companies in order to have significant influence. Sound management and the ability to generate strong cash returns and growth are important investment criteria. Remgro forges strategic alliances on a partnership basis and endeavours to add value where possible.

In addition to the transaction facilitating Grindrod's ability to fund its capital expenditure programme, the transaction will see the group introducing a strong and supportive shareholder with strategic insights, global technical competence, significant financial resources and the capacity to efficiently raise capital. Remgro has a reputation of being a long-term, committed shareholder.

### **2.3. Rationale for Remgro**

Remgro believes that Grindrod is an attractive investment opportunity in the shipping and infrastructure-related sectors. Grindrod will give Remgro exposure to industries with strong growth prospects and good "through the cycle" returns. Grindrod has a strong and highly experienced management team with a track record of taking long-term investment decisions and delivering strong profitability.

### **3. Remgro offer**

In terms of the subscription agreement, Remgro has irrevocably undertaken, subject to the fulfilment or waiver of the conditions precedent set out in paragraph 4, to offer qualifying Grindrod shareholders the non-renounceable right to subscribe for the subscription shares in its stead, pro rata to their existing holding of ordinary shares on the Remgro offer record date. Qualifying Grindrod shareholders will be entitled to:

- 3.1. subscribe for 28.6657 subscription shares for every 100 ordinary shares held on the Remgro offer record date in Remgro's stead at the subscription price, provided that any fractions of ordinary shares that may result from such subscription will be rounded up or down to the nearest whole number ("**Remgro offer entitlement**"); and
- 3.2. accept the Remgro offer in respect of all or part of their Remgro offer entitlement. Qualifying Grindrod shareholders will not be entitled to accept the Remgro offer in respect of more than their Remgro offer entitlement.

Qualifying Grindrod shareholders who wish to accept the Remgro offer must do so in the manner prescribed in the circular to be posted on or about Monday, 26 September 2011. Acceptance of the Remgro offer, including payment of the relevant subscription price, not submitted and/or received in the prescribed form and/or within the prescribed time shall not constitute a valid acceptance of the Remgro offer.

The Remgro offer is being made directly by Remgro to qualifying Grindrod shareholders.

### **4. Conditions precedent to the transaction**

The transaction is subject to the fulfilment (or waiver, where applicable in terms of the subscription agreement) of the following conditions precedent:

- 4.1. Grindrod shareholders passing an ordinary resolution in general meeting giving general authority to the board to allot and issue the subscription shares in accordance with the terms of the subscription agreement;
- 4.2. Grindrod shareholders passing an ordinary resolution by a 75% majority giving specific authority in terms of paragraph 5.51(g) of the JSE Limited ("**JSE**") Listings Requirements to allot and issue the subscription shares in accordance with the terms of the subscription agreement;
- 4.3. the JSE confirming in writing that it has approved Grindrod's application for a listing of the subscription shares to be issued by Grindrod in terms of the transaction; and
- 4.4. no material adverse change having occurred. A "material adverse change" means a decline of more than 15% in the MSCI World Index, during the period commencing on 19 September 2011 and ending on the last

business day immediately prior to the general meeting of Grindrod shareholders. In order for the condition to be fulfilled, the occurrence of a material adverse change must be notified by Remgro to Grindrod prior to the general meeting referred to in paragraph 9 below.

## **5. Board representation**

The board will appoint one non-executive director, nominated in writing by Remgro, to the Grindrod board with effect from the date on which the subscription shares are allotted and issued ("**settlement date**"). In terms of Grindrod's Memorandum of Incorporation, such appointment will have to be confirmed at Grindrod's next annual general meeting.

## **6. Lock-up and disposal of subscription shares**

If, pursuant to the transaction, Remgro holds 7.5% or more of the post-issue ordinary shares of Grindrod, Remgro shall not, subject to certain conditions, sell, transfer or otherwise dispose of all or any of the subscription shares prior to the expiry of a period of 18 months following the settlement date ("**lock-up period**"), without the prior written consent of Grindrod. In the event that Remgro proposes to sell, transfer or otherwise dispose of any or all of the subscription shares after expiry of the lock-up period, Remgro will notify the board in writing in advance of such transaction in order that Grindrod and Remgro can cooperate to ensure the subscription shares that are the subject of the transaction are disposed of in an orderly fashion.

## **7. Irrevocable undertakings**

Grindrod Investments (Proprietary) Limited and Nailsea Investments (Proprietary) Limited, investment holding companies controlled by the Grindrod family and owning 83,952,682 ordinary shares, representing in aggregate 18.0% of the existing total issued ordinary share capital of Grindrod, have irrevocably undertaken to vote in favour of the requisite resolutions to be proposed at the general meeting and to not accept the Remgro offer.

Assuming that no qualifying Grindrod shareholder accept the Remgro offer, Remgro will acquire a shareholding equal to 22.3% of the total post-issue ordinary share capital of Grindrod, immediately post implementation of the transaction. Should, however, all qualifying Grindrod shareholders, with the exclusion of the Grindrod family, accept the Remgro offer, Remgro will acquire a shareholding equal to 4.5% of the total post-issue ordinary share capital of Grindrod, immediately post implementation of the transaction.

## **8. Directors' shareholdings and treasury shares**

All the directors of Grindrod who own ordinary shares in their own right intend to vote in favour of the transaction.

Grindrod holds 9,179,348 ordinary shares, representing 2.0% of the existing total issued ordinary share capital of Grindrod, through subsidiary companies as treasury shares. The treasury shares do not carry any voting rights and therefore will not be eligible to vote at the general meeting or to participate in the Remgro offer.

## **9. Board recommendation**

The board has considered the terms and conditions of the transaction and is of the opinion that the transaction is in the best interests of all key stakeholders and will be to the long-term benefit of Grindrod shareholders. Accordingly, the board recommends that Grindrod shareholders vote in favour of the resolutions relating to the transaction at the general meeting.

## 10. Unaudited *pro forma* financial effects of the transaction

The table below sets out the pro forma financial effects of the transaction on the earnings, headline earnings, net asset value and net tangible asset value per ordinary share of Grindrod based on the unaudited financial statements of Grindrod for the 6 months ended 30 June 2011. The financial effects are the responsibility of the directors of Grindrod and are prepared for illustrative purposes only and, because of their nature, may not fairly present the financial position of Grindrod, changes in its equity or the results of its operations or cash flows after the transaction.

The pro forma financial effect of the transaction is reflected as a reduction of 23% in earnings per share and headline earnings per share. The only effect on earnings per share and headline earnings per share in these calculations arises as a consequence of the increased number of ordinary shares in issue. The calculation does not take into account the potential benefits arising from the transaction, including the potential increase in earnings from the Company's capital expenditure plans or potential interest savings from reduced borrowings.

<b>Per ordinary share</b>	<b>Notes</b>	<b>Before the transaction</b>	<b>After the transaction</b>	<b>Change (%)</b>
Earnings (cents)	1,4	60.8	47.1	(23)%
Headline earnings (cents)	1,4	55.7	43.1	(23)%
Net asset value (Rand)	2	13.6	13.9	2%
Net tangible asset value (Rand)	2	11.4	12.2	7%
Number of shares ('000)	3	455 953	589 286	

### Notes:

1. The amounts in the "Before the transaction" column represent the headline earnings per share as disclosed in the published unaudited interim financial results for the 6 months ended 30 June 2011. The amounts in the "After the transaction" column represent the headline earnings and earnings per share after the transaction based on the assumption that the transaction was effective 1 January 2011.
2. The amounts in the "Before the transaction" column represent the net asset value and net tangible asset value per share as disclosed in the published unaudited interim financial results for the 6 months ended 30 June 2011. The amounts in the "After the transaction" column represent the net asset value and net tangible asset value per share based on the unaudited financial results for the 6 months ended 30 June 2011 adjusted for the transaction had it been effected on 30 June 2011.
3. The adjustments are based on 455 952 632 (net of treasury shares) ordinary shares in issue before the transaction and 589 285 966 (net of treasury shares) ordinary shares in issue after the transaction.
4. No adjustments have been made for interest earned on the proceeds of the transaction, as per the "Guide on pro forma financial information" issued by the South African Institute of Chartered Accountants. Accordingly, the only effect on earnings per share and headline earnings per share is as a consequence of the increased number of ordinary shares used in the calculation thereof as no account is taken of the benefits arising from the increased capital available for the group as a result of the transaction.
5. Transaction costs of R17 500 000 (exclusive of VAT) have been debited against the share premium account.

6. There is no material post-balance sheet or subsequent events which require adjustment in terms of International Financial Reporting Standard or in respect of previously published financial effects or in respect of any post-balance sheet corporate action and accordingly no adjustment has been made to the financial effects.

## 11. Documentation

A circular to Grindrod shareholders relating to the transaction, including a notice of general meeting, together with a table of entitlements and a form of acceptance and payment instruction regarding the Remgro offer will be posted to Grindrod shareholders on or about Monday, 26 September 2011.

## 12. Withdrawal of cautionary

Having regard to the information disclosed in this joint announcement, Grindrod shareholders and preference shareholders are advised that caution is no longer required when dealing in the Company's securities.

## 13. Conference call and webcast link details

A conference call will be held at 11:00 (South African time) on Tuesday, 20 September 2011. Access to an internet webcast will also be available. The details for the link to the webcast and the dial in details for the conference call are set out below.

### Webcast:

<http://themediiframe.eu/links/grindrod110920.html>

	Live Call Access Numbers
Country	Access Number
South Africa - Johannesburg	011 535 3600
UK (Toll-Free)	0 800 917 7042
South Africa - Johannesburg Alternate	010 201 6616
South Africa - Cape Town	021 819 0900
South Africa - Durban	031 812 7600
South Africa (Toll-Free)	0 800 200 648
Other Countries (Intl Toll)	+27 11 535 3600
USA (Toll-Free)	1 866 752 6302 - * 0 for Operator

	Playback Access Numbers Playback Code: 18711#
Country	Access Number
South Africa (Telkom)	011 305 2030
USA and Canada (Toll)	+1 412 317 0088
Other Countries (Intl Toll)	+27 11 305 2030
UK (Toll-Free)	0 808 234 6771

Durban

20 September 2011

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